

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7944**

**BILL NUMBER:** HB 1770

**NOTE PREPARED:** Jan 20, 2005

**BILL AMENDED:**

**SUBJECT:** Early Learning Trust Fund.

**FIRST AUTHOR:** Rep. Bauer

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill authorizes grants from the Common School Fund to enable school corporations to provide voluntary full day kindergarten programs and other early learning programs. It establishes an Early Learning Trust Fund and makes certain transfers and appropriations to that fund. The bill prohibits advances from the Common School Fund for school building construction, anticipated transfer tuition costs, and educational technology after June 30, 2005.

**Effective Date:** Upon passage; July 1, 2005.

**Summary of Net State Impact:** The net impact on the state is expenditure neutral. The bill shifts current revenues to the Early Learning Trust Fund to pay for new or expanded programs.

	FY 2006	FY 2007	FY 2008
<b>Redirected Revenue/Grants</b>			
Lottery and Gaming	30.0 M	30.0 M	30.0 M
Abandoned Property Fund	9.5 M	13.5 M	11.5 M
<b>Total Redirected Revenue/Grants</b>	<b>\$39.5 M</b>	<b>\$43.5 M</b>	<b>\$41.5 M</b>

**Explanation of State Expenditures:** *Early Learning and School Readiness Commission:* The bill creates the Early Learning and School Readiness Commission. The Governor determines the number of members, terms of office, and appoints members to the Commission. Members of the Commission are entitled to travel expenses, and members who are not state employees are entitled to per diem. The Department of Education is to provide staff support for the Commission. The Commission, in consultation with the Department of Education, is to establish a grant program for full-day kindergarten and pilot programs for preschool, reading and family literacy, and parental education.

*Early Learning Trust Fund:* The bill creates the Early Learning Trust Fund to provide funding for full-day kindergarten programs, preschool programs, reading and family literacy programs, and parental education programs. The Fund is to be administered by the Department of Education. Money in the Fund at the end of the fiscal year does not revert to the General Fund, and interest earnings of the Fund will remain in the Fund. The bill annually appropriates money in the Fund.

The bill provides that grants may be made *up to* \$40 M annually for Full-Day Kindergarten Programs. If the maximum amount of grants are provided, \$40 M in grants at a level of \$1,500 per student would fund about 26,666 students. If the \$40 M is insufficient to provide funding to all schools that apply, the bill provides funding priorities. Schools and students participating in the program the prior year are the first priority; second priority is new students in schools participating last year sorted by the percentage of students eligible for free and reduced lunch; third is Title I schools not participating last year sorted by the percentage of students eligible for free and reduced lunch; and last is non-Title I schools not participating last year sorted by the percentage of students eligible for free and reduced lunch.

*Pilot Projects:* The bill also provides that grants *up to* \$8 M for FY 2006 and *up to* \$12 M for FY 2007 for preschool, reading and family literacy, and parental education pilot programs.

**Explanation of State Revenues:** *Common School Fund:* Currently, the Common School Fund is used to make advances to school corporation for: (1) construction by schools with low assessed valuation per ADM, (2) technology, (3) charter schools, and (4) anticipation of the school corporation's receipt of certain transfer tuition. The bill provides that after July 1, 2005, the Common School Fund could only be used to make advances for voluntary full-day kindergarten programs, other early learning programs, and charter schools. During FY 2004, the Common School Fund funded 16 new construction advances for \$86.7 M, 69 technology advances at \$29.1 M, and 23 charter school advances at \$9.2 M.

*Background:* On June 30, 2004, the Common School Fund had unobligated reserves of \$49.5 M and a fund balance of about \$505.4 M. Currently, under the State Constitution and state statute, the Fund can be used for advances and loans to schools, but the principle in the Fund cannot be diminished. The Common School Fund receives revenues from the following sources: (a) various fines and forfeitures (IC 21-1-3-7); (b) balances exceeding \$500,000 from the Abandoned Property Fund (IC 32-9-1.5-34); (c) unclaimed funds (IC 32-9-8-4); and (d) escheated estates (IC 21-1-1-1).

*Abandoned Property Fund:* Currently the Abandoned Property Fund makes transfers of the fund balances that exceed \$500,000 to the Common School Fund on June 30 of each year. However, P.L. 224-2003 (Budget Bill) directed these transfers in 2003, 2004, and 2005 to the state General Fund. The bill would require the Treasurer to transfer \$9.5 M during FY 2006, \$13.5 M during FY 2007, and \$11.5 M during FY 2008 from the Abandoned Property Fund to the Early Learning Trust Fund.

*Background:* All intangible property held by business associations or financial institutions is to be presumed abandoned seven years after the last owner contact and is subsequently remitted to the Attorney General. All funds received are placed in the Abandoned Property Fund. A claimant can recover the value of the property for up to 25 years. Under current statute (except for the provisions in P.L. 224-2003 as explained above), if the balance in the Abandoned Property Fund exceeds \$500,000, the excess is transferred to the Common School Fund. Transfers from the Abandoned Property Fund to the Common School Fund have averaged about \$25 m..

*Lottery and Gaming:* The bill redirects the current \$30 M that goes to the Teachers' Retirement Fund to the Early Learning Trust Fund for FY 2006, FY 2007, and FY 2008. Beginning in CY 2009, the lottery and gaming revenue returns to the Teachers' Retirement Fund. The amount of the transfer is the lessor of \$30 M or the contribution needed so the ratio of the unfunded liability of the fund compared to the total active payroll is close but not greater than that existed on the preceding July 1.

*Background on Current Full-Day Kindergarten Funding:* The current appropriation set in P.L. 224-2003 (Budget Bill) for FY 2005 is \$8.5 M for the Full-Day Kindergarten Program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This bill will have an impact on the ability of local schools to borrow funds from the Common School Fund for construction and technology loans. Schools will have to find other funding sources for these loans in the future.

If the cost of implementing a full-day kindergarten program of a school is more than the \$1,500 per student advance or grant, the school may not impose a fee on students that participate in the free or reduced lunch program.

**State Agencies Affected:** Department of Education, Early Learning and School Readiness Commission.

**Local Agencies Affected:** Schools.

**Information Sources:** Jeff Zaring, Department of Education, 317-232-6622.; *Indiana Handbook on Taxes, Revenues, and Appropriations, FY 2004.*

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